

18.2%
Vacancy Rate



-143K
Net Absorption, SF



\$17.70
Asking Rent, PSF



(Overall, All Property Classes)

**ECONOMIC INDICATORS
Q4 2023**

551.8K
Buffalo, NY
Employment



3.8%
Buffalo, NY
Unemployment Rate



3.7%
U.S.
Unemployment Rate



Source: BLS

ECONOMY: Expansion & Diversity Impact Buffalo's Economy

The Buffalo-Niagara MSA incorporates a five-county area around Buffalo, NY. The 2020 Census reported the Buffalo-Niagara MSA population at 1.2 million, ranking it as the 49th largest MSA in the country. According to the U.S. Bureau of Labor Statistics, Buffalo's average unemployment rate for the fourth quarter of 2023 was 3.8%, which is slightly higher than the national average of 3.7%. Buffalo's economy continues to expand and diversify, led by major growth in the healthcare and education sectors. The region's largest economic sectors are financial services, technology, healthcare and education.

MARKET OVERVIEW: Leasing Remains Dismal for Year-end 2023 – Office Landlords Feel the Pinch

The shrinking market for office space has deeply affected Western New York and will do so for some time to come. Every significant office building in town either has vacancy or space for sublease. With that being said, while the average asking lease rate has remained consistent over the past 12 months in the Buffalo office market, the outlook going forward is that gross lease rates will be increasing as the result of additional costs due to the escalation of operating expenses and increase in build-out costs. These additional costs will put upward pressure on lease rates as landlords seek to cover their expenses and maintain profitability. There is a significant demand for well-finished, existing office space as companies prefer to avoid the increased expenses associated with new construction. It is important to note that market conditions can vary and predictions regarding lease rate trends are subject to change based on various factors, including supply and demand dynamics and other market forces. There is an unprecedented amount of sublease space on the local market and that amount will continue to increase. The growing availability of sublease space is an indicator of various factors, including economic conditions, changes in business needs and market dynamics.

OUTLOOK: The “Flight to Quality” Mentality...with Landlords Being Stuck in the Middle

It is obvious that physical occupancy levels observed before the pandemic aren't coming back anytime soon. We are still seeing big space users consolidating and downsizing. Companies are reimagining their workplace like never before. As businesses decide they need less space, many have grown increasingly willing to shell out more per square foot for extra perks such as more amenities, a prime location and quality buildout. Trendy workspaces with plenty of amenities are important to companies looking to lure workers back to the office. As stated, the amount of sublease space in the market continues to grow, adding another layer to the vacancy woes...there is more space available than demand to fill it. The way the Buffalo commercial real estate market is shaking out could be a boon to space seekers – it is clearly a tenant's market. Landlords are going to have some sleepless nights. We expect Landlords will be offering incentives that the market has not traditionally seen in the past. It must be understood by Landlords that the office market is substantially changed, especially with the push from employees to remain virtual. New office projects in the region are few and far between. Some of the few ongoing CBD projects include the mixed-use redevelopment of the former Buffalo Children's Hospital (Elmwood Crossing – 8 Acres - \$110 million), the continued reshaping of Seneca One Tower (1.2 million square feet).

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Office Q4 2023

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION(SF)**	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Amherst Suburban	10,204,665	332,858	1,289,273	15.9%	-21,210	-99,649	266,057	0	\$18.25	\$23.00
CBD	12,557,309	105,692	2,406,873	20.0%	-121,815	4,893	342,555	0	\$16.75	\$27.00
BUFFALO, NY TOTALS	22,761,974	438,550	3,696,146	18.2%	-143,025	-94,752	608,612	0	\$17.70	\$23.60

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS 2023

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Seneca One Tower, Buffalo, NY	CBD	Highmark Blue Cross Blue Shield	98,865	Direct
239 Van Rensselaer Street, Buffalo, NY	CBD	HSBC Bank USA National Association	63,300	Direct
Waterfront Village Center, Buffalo, NY	CBD	The Travelers Indemnity Company	51,928	Renewal
Seneca One Tower, Buffalo, NY	CBD	AML RightSource LLC	39,946	Renewal
350 Essjay Road, Williamsville, NY	AMHERST SUB	AXA Equitable Life Insurance	25,405	Renewal

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$PSF
95 Washington Street, Buffalo, NY	CBD	HSBC Bank USA National Association / Jemal's Atrium LLC	229,013	\$9,000,000 / \$39.30
2825 Niagara Falls Blvd, Amherst, NY	AMHERST SUB	Ciminelli Real Estate Corp / 2825 Niagara Falls Blvd LLC	41,988	\$1,950,000 / \$46.44
455 Commerce Drive, Amherst, NY	AMHERST SUB	Ciminelli Real Estate Corp / Ony Biotech	32,034	\$1,500,000 / \$46.82

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